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RUEAIIA/CIA WASHINGTON DC

RUEKJCS/SECDEF WASHINGTON DC

RUCPDOC/USDOC WASHDC

RUEKJCS/Joint STAFF WASHINGTON DC

RUEFHLC/HOMELAND SECURITY CENTER WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 03 BERLIN 001846

SIPDIS

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STATE FOR ISN, NEA, EUR/AGS, EUR/RUS, AND EUR/PRA

E.O. 12958: DECL: 10/04/2017

TAGS: [ETTC](#) [KCRM](#) [KNNP](#) [PARM](#) [PREL](#) [MNUC](#) [KJUS](#) [IR](#) [RS](#) [GM](#)

SUBJECT: GERMAN PROSECUTORS SUSPECT RUSSIAN

STATE-CONTROLLED FIRM WAS INVOLVED IN IRANIAN PROCUREMENT

ATTEMPTS

REF: A. 06 BERLIN 932

- [1B. 04 BERLIN 3929](#)
- [1C. OSC - EUP20070902499007](#)
- [1D. OSC - EUP200712072009](#)

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Classified By: EMIN Robert A. Pollard for reasons

1.4 (b) and (d).

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Summary  
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[11. \(C\)](#) German prosecutors suspect Atomstroyexport, the Russian state-owned nuclear power equipment and services exporter, played a leading role in efforts to circumvent Germany's export control laws by diverting German-manufactured technology to Iran's nuclear program via Russian front companies between 2001 and 2004. Prosecutors have been approached by the legal representative of "Dmitri. S.," the former head of Vero Handels GmbH, a German firm that facilitated the transfers, about the possibility of cooperating with the German investigation in exchange for a lighter sentence. German authorities believe the suspect's cooperation may hold the key to uncovering the full scope of the network's activities, which may have involved goods valuing EUR 100-to-800 million. End Summary.

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Background  
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[12. \(SBU\)](#) As part of an ongoing investigation of a German-Russian network of small businesses suspected of transferring German-manufactured electronic equipment and other nuclear-related dual-use goods via Russia to Iran, over 250 German law enforcement personnel searched 41 sites belonging to approximately 30 companies around Germany in March 2006 (ref A). Authorities seized documents and confiscated equipment worth approximately EUR 2 million in search of evidence demonstrating that the German firms violated Article 34 of the German Foreign Trade and Payments Act, specifically evidence of intent to export nuclear-related commodities to Iran without an export license.

¶3. (C) The initial investigation was launched in 2004 when authorities discovered that two German firms, Industrieausuestungen Service und Vertrieb (ISV) -- a small German brokering firm located outside Magdeburg -- and Vero Handels GmbH -- a Berlin-based firm with offices in Moscow and Dubai -- had shipped components for cranes used to replace nuclear fuel rods to Iran's Bushehr reactor (ref B). German authorities subsequently determined that ISV arranged the procurement and shipment of a wide range of nuclear-related commodities to Iran through Vero, listing Vero's branch in Moscow as the end user. The commodities were later shipped from Moscow to Vero's Dubai facility and then on to Iran. According to German prosecutors and media reports, the illegal exports occurred between 2001 and 2004. In 2004, German authorities arrested ISV's owners, who agreed to cooperate with the German investigation in exchange for suspended prison sentences. The head of Vero's Berlin office -- identified in press reports as "Dmitri S." -- managed to elude German authorities by fleeing Germany shortly before the March 2006 raids. Vero has closed its operation in Germany.

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Current State of Play  
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¶4. (C) Global Affairs Officer and Legal Specialist met October 2 with Christoph Lange, a prosecutor in the Brandenburg State Prosecutor's office in Potsdam, which has the lead on German efforts to prosecute the German companies involved. Lange was accompanied by Thomas Schroeder, the Berlin-Brandenburg customs investigator handling the case. Schroeder said his office was assigned responsibility for the investigation by the German Federal Office of Customs Investigation (Zollkriminalamt, or ZKA). Lange said German authorities had thus far investigated approximately 50 German companies on the basis of evidence obtained in the March 2006

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raids. Of those, investigators had concluded that only a "dozen or so" were aware that products they shipped to Russia were ultimately bound for Iran's nuclear program. The remainder, Lange said, were either unwitting or had only received inquiries from -- but not delivered goods to -- the Russian front companies. Lange confirmed the accuracy of two recent press reports. Both have been processed by OSC (refs C-D).

¶5. (C) Of the approximately twelve German companies, Lange said, eight firms had agreed to cooperate with the German investigation in exchange for lighter sentences (i.e., fines or suspended prison sentences for company employees involved in the transactions). Lange said confidentiality agreements prohibited him from revealing the names of the firms and individuals who had cooperated with the investigation, even though they were required to confess that they had wittingly diverted sensitive technology to Iran and, in doing so, had violated German export control laws. Lange noted that the firms and individuals generally played minor roles. In some cases, Lange said, the responsible individuals were no longer with the firm under investigation. Lange noted that prosecutors and law enforcement have open cases against the remaining four-to-five firms/individuals. Barring any further developments, Lange speculated, prosecutors would likely wrap up the remaining open investigations by the beginning of 2008.

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One Suspect Holds the Key  
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¶6. (C) Lange said Dmitri S. would likely be able to provide evidence prosecutors need to prove a much larger number of European companies were involved -- wittingly and unwittingly -- in the network's efforts to transfer sensitive technology to Iran. To date, Lange said, investigators only have

conclusive evidence that goods valuing EUR 6 million were transferred to Iran. German authorities suspect, however, total transfers may have been worth EUR 100-to-800 million. Lange said prosecutors were in discussion with the attorney for Dmitri S., who currently resides in Moscow, about the possibility of cooperating with the investigation in exchange for a lighter sentence. Lange also noted German prosecutors are considering issuing an international arrest warrant for Dmitri S. in the event he decides not to cooperate.

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The Russian Angle  
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¶ 17. (C) Lange said prosecutors believe Dmitri S. might also be able to provide evidence proving the complicity of the state-controlled Russian firm Atomstroyexport in violating Germany's export control laws. Lange said many German firms reported they were first contacted by Atomstroyexport about exporting sensitive technology to Iran. After firms refused because of long-standing German prohibitions on nuclear-related exports to Iran, the same Atomstroyexport representatives allegedly inquired about the possibility of exporting to Russia. In some cases, Lange said, German firms were reportedly told they would lose market access in Russia or be precluded from bidding on Russian projects in Central and Eastern Europe.

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International Cooperation  
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¶ 18. (C) Schroeder said Germany had received good cooperation with police and customs officials in other EU member states, particularly in terms of providing access to witnesses. Lange said prosecutors in most EU countries had also been cooperative, but identified France and Italy as problematic. Lange said French prosecutors' "protective" practices had made it difficult to obtain search warrants. He also alluded to jurisdictional difficulties in Italy. Lange said difficult cooperation and bureaucratic problems with financial authorities in Liechtenstein had complicated German efforts to follow the investigation's money trail. He explained Vero had transferred money via Liechtenstein from

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offshore accounts to German companies. Lange said authorities in Liechtenstein became less cooperative when they learned that one of the financial entities identified in the German investigation was UN-listed and was also named in a civil proceeding alleging the entity was involved in a 9/11-related financial transfer. Lange said he did not expect cooperation with Liechtenstein to improve.

¶ 19. (C) Lange and Schroeder said prosecutors believe one of the German suspects still under investigation may have financial assets in the United States. He said the (unnamed) elderly suspect had been associated with Siemens in the 1970s and was widely considered to be a top expert on electrical cable technology. Lange said the suspect -- who operated a front company named Nachrichtentechnik (NTV) -- was initially contacted by a group of Iranians who sent him to meet with Vero representatives in Russia. The suspect allegedly agreed to review blueprints, to offer guidance on how to adapt Russian technology for use in the Bushehr reactor, and to assess and procure certain types of electrical cables for use in a nuclear reactor's containment zone. Lange said the suspect told investigators he did not know the cables' final destination and denied that items he helped to procure could be used inside a containment zone. German authorities believe the suspect's brother resides in the United States. Schroeder said German Customs would be willing to share the suspect's name and date of birth with USG law enforcement agencies. Mission Germany's DHS/ICE office will follow up.

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